

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6049

BILL NUMBER: SB 111

NOTE PREPARED: Nov 28, 2005

BILL AMENDED:

SUBJECT: Student Nutrition and Physical Activity.

FIRST AUTHOR: Sen. Becker

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 X FEDERAL

IMPACT: State & Local

Summary of Legislation: *Health Advisory Councils*- The bill requires school boards to establish a coordinated school health advisory council to develop a local wellness policy that complies with certain federal requirements.

School Food and Beverage Sale Requirements- The bill requires the Department of Education to provide information concerning health, nutrition, and physical activity. The bill establishes requirements applying to food and beverage items that are available for sale to students outside the federal school meal programs, including a requirement that a certain percentage of the food and beverage items qualify as better choices. The bill provides that the requirements do not apply after school hours or to fundraisers.

Daily Physical Activity- The bill requires daily physical activity for elementary school students in public schools, with certain exceptions.

School Vending Contracts- The bill allows a school to continue a vending machine contract in existence before the passage of this bill.

(The introduced version of this bill was prepared by the Health Finance Commission.)

Effective Date: July 1, 2006.

Explanation of State Expenditures: *School Food and Beverage Sale Requirements*- Under the bill, the Department of Education (IDOE), with cooperation from the State Department of Health, would give assistance

to school advisory councils regarding health, nutrition, and physical activity. The assistance would include educational materials and professional development opportunities. The IDOE would likely be able to fund the costs associated with this proposal through a grant from the coordinated school health program from the Centers for Disease Control. The IDOE reports they receive approximately \$400,000 per year from the grant to provide health workshops to schools including student nutrition. The grant will end February 2008.

Explanation of State Revenues:

Explanation of Local Expenditures: *Health Advisory Councils*- Schools should not require additional expense to establish school health advisory committees, make committee appointments, or to establish wellness policies. School boards would likely be able to establish the committees within the course of a regularly scheduled business meeting.

Daily Physical Activity- Under the bill, daily physical activity would have to be consistent with the curriculum and programs developed under current law. Physical activity could include the use of recess. If recess were used to conduct the physical activity, most elementary schools (kindergarten through fifth grade, and sometimes sixth grade) should not experience any impact to expenditures. Schools would not be required to provide physical activity in times of inclement weather or other unplanned circumstances.

Background: The Centers for Disease Control via Cargill and the American School Health Association (ASHA) currently offers mini-grants to schools to fund increased physical education, walking trails, access to healthy snacks, and other school health programs. The total grant is \$300,000. Most mini-grants range from \$1,000 to \$5,000. Eligibility is limited to states where Cargill operates, which includes Indiana.

Explanation of Local Revenues: *School Vending Contracts*- Contracts existing between school corporations and soft drink vendors on the effective date of the bill would be allowed to continue until their expiration date. Under the bill, when a contract expires, the school corporation would not be able to renew the contract and would have to comply with the food and beverage qualification provisions of the bill.

The bill would affect school corporations when their soft drink contracts expire. It is possible that lost revenue from soft drink sales could be shifted to other beverages, such as fruit juice or water (several major manufacturers of soft drinks also produce fruit drinks). The specific impact to local revenue is indeterminable and would vary among school corporations by the revenue a school corporation currently retains from vending sales of soft drink and food during school hours.

The bill would also apply to foods that are not part of the federal school lunch/breakfast program. Therefore, sale of a la carte items that are not "better-choice" foods would be reduced by 50%. It is likely that food items would be substituted that are acceptable to the federal school lunch/breakfast program. School revenues from food sales could be minimally affected by this provision.

Background: A sample survey indicates that several school corporations have entered into contracts with soft drink manufacturers. The surveyed contracts ranged from \$27,000 to \$230,000 of guaranteed money per year to offer the products of an exclusive manufacturer. Proceeds from the contracts are used by school corporations to fund school-related activities, including education foundations, student activities, teacher development, and extra-curricular activities (such as uniforms for sports teams). A surveyed school corporation was able to secure a sixty-acre plot of land with the proceeds of such a contract, on which a new school facility was constructed.

Some corporations have contracts or agreements with more than one manufacturer. Contract amounts vary among the school corporations along with their carbonated beverage policy during school hours and other factors. The survey indicates that school corporations with a restricted access policy to soft drinks during school hours do have contracts with a manufacturer. Terms of an agreement may have a duration of three to more than ten years depending on the contract. Other school corporations may not have exclusive contracts. However, they may allow the individual schools within the corporation to secure contracts.

State Agencies Affected: Department of Education.

Local Agencies Affected: School corporations.

Information Sources: Suzanne Crouch, Department of Education; School corporations responding to a Legislative Services Agency survey; www.ashaweb.org.

Fiscal Analyst: Chris Baker, 317-232-9851.